The Future of Homeownership and Housing Finance

How Data and Evidence Can Help Tackle the System's Greatest Challenges

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Homeownership has long been a cornerstone of the American dream. For millions of families, owning a home has been the gateway to financial prosperity, upward mobility, and the intergenerational transfer of wealth. These individual experiences of homeownership manifest on a macro level as stronger communities, prospering markets, and national economic growth.

Homeownership continues to be an American success story. In 2022, 65.8 percent of households owned their homes, and the median homeowner had amassed $396,200 in wealth, a figure that increased significantly during the COVID-19 pandemic largely because of home price appreciation (Aladangady et al. 2023). Homeownership has supported families' economic prosperity for generations: research shows that children of homeowners are more likely to own homes themselves (Choi, Zhu, and Goodman 2018), partly driven by wealth transfers from parents (Benetton, Kudlyak, and Mondragon 2024).

The value proposition of American homeownership is in part owed to the US housing finance system, a complex and masterfully coordinated partnership among actors across the private sector (e.g., lenders, nonprofits, servicers, insurers, investors, third-party service providers, technology companies, and information systems providers), the public sector (e.g., policymakers, government guarantors, and regulators), and capital markets around the globe. Other stakeholders, such as advocates, philanthropists, and researchers, help shape the system.

Since 2013, the Urban Institute's Housing Finance Policy Center (HFPC) has provided timely, relevant, rigorous, trusted, and data-driven analyses that have helped the system evolve and remain effective in making homeownership possible for millions. Ensuring that the system continues to work for future generations—even in the face of dynamic economic, societal, and technological shifts—requires cutting-edge, evidence-based research and insights to help guide market, policy, and industry decisions. Here, we present how HFPC's research and platform—from in-depth empirical analyses to our data-rich monthly housing finance chartbook, to our timely and relevant rapid-response capabilities—can continue to inform a housing finance system that functions well for all its participants.[1]

The System That Helps Make Homeownership Possible

For more than a century, the American dream has been predicated on the opportunity to "Own Your Own Home."[2] After World War I and through the depths of the Great Depression, the national consensus on the benefits of homeownership manifested in aggressive policy efforts to help families attain and sustain it. Subsequent New Deal legislation established new systems and institutions, including the Federal Housing Administration, which helped absorb lenders' risk by insuring their mortgage loans, and the Federal National Mortgage Association (Fannie Mae), which began to buy these loans off lenders' balance sheets altogether. These entities, along with the Federal Home

Loan Banks and the later-established Federal Home Loan Mortgage Corporation (Freddie Mac) and Government National Mortgage Association (Ginnie Mae), enabled American homeowners and homebuyers to access a new, sustainable set of mortgage terms: amortized payments, fixed interest rates, and 30-year maturities. These institutions helped set homeowners back on track to keep their homes and made homeownership possible for new swaths of American families.

Today, the US remains one of the only nations where 30-year, amortizing, fixed-rate mortgages are readily available, owing to the robust array of government-owned and government-sponsored entities backing the market. Born out of crises that drove about half of home mortgages into default[3] and pushed the homeownership rate below 44 percent, the housing finance system has helped raise the nation's homeownership rate to about 65 percent today (Layton 2021).

Throughout the past century, the US housing finance system has evolved in tandem with shifts in the nation's economy, demography, society, and technology. After the mortgage market collapsed in 2008, policymakers acted quickly to set up guardrails and insulate the market against perilous risk, creating protections that have made homeownership a safer and more beneficial investment once again.[4] In the years since, through natural disasters and global health crises, the federal mortgage entities strengthened their tools to prevent hundreds of thousands of foreclosures and to keep the promise of homeownership alive (Goodman and Zhu 2024).

The System Is at a Crossroads

After nearly a century of making homeownership possible for millions, the housing finance system is at a crossroads. Political, economic, societal, and technological trends present challenges, but also hold great promise, for the continued viability of homeownership and the system that facilitates it.

Chronic underbuilding since the Great Recession has created housing shortages in most communities nationwide, raising rents beyond what the typical household can afford and pushing home prices increasingly out of reach for aspiring homebuyers. Many prospective homeowners are also locked out of obtaining a mortgage because the system's tight underwriting standards do not incorporate proven predictors of creditworthiness nor adequately leverage emerging technologies (Goodman et al. 2025). In addition, demographic data project a decline in the national homeownership rate absent concerted policy action (Goodman and Zhu 2021). Housing unaffordability is delaying young adults' household formation and traditional progressions to the middle class[5] while limiting sustainable housing and mortgage options for seniors.[6] Unaddressed disparities, largely driven by historical discriminatory government policy, amplify these challenges for households of color (Mehrotra et al. 2024). And even when families achieve homeownership, on top of risks posed by micro- and macroeconomic adversities, new challenges, such as the increased number and severity of climate-related disasters, threaten households' ability to sustain homeownership (Neal, Mehrotra, and Pang 2024).

The housing finance system as we know it is inherently a public-private partnership, where government-related entities back privately originated and privately serviced loans and rely on private investors to inject liquidity into the market. The balance between the public and private sectors, however, is once again in flux. As policymakers rethink established federal housing policies and grapple with resolving the status of the government-sponsored enterprises, new structures and incentives will emerge. In addition, any further reductions to the federal budget and restructuring of federal housing and regulatory agencies could reverberate in the short and long term, though how these impacts will play out is uncertain.

How the Housing Finance Policy Center Contributes to a Well-Functioning Housing Finance System

The Urban Institute's Housing Finance Policy Center informs policies that support decisionmaking in the housing finance system. A guiding principle for HFPC's work is that the US housing finance system can work for households, communities, and the broader economy only if it works for the actors who are essential to its functioning. We believe good housing policy brings public and private market interests into alignment.

Upon starting the center in 2013, Institute fellow Laurie Goodman noted, "Too many decisions in Washington, DC, are made…without regard to the data. The opportunity to found the Housing Finance Policy Center at Urban, doing data-driven analysis of public policy issues, was too important to pass up."

To meet the moment, HFPC brings proprietary state-of-the-art data[7] and rigorous analytical methods, along with subject-matter expertise in the following areas:

- **Mortgage market structure:** We examine how federal institutions and policies can support private capital to optimize safety and soundness of the system and to promote affordable homeownership, particularly for first-time homebuyers and households with low and moderate incomes. We examine the appropriate roles for different housing finance entities (e.g., guarantors and mortgage-backed securities issuers, depositories, the Federal Home Loan Banks, and state and local housing finance agencies). For example, we are a leader in evaluating the implications for various approaches to restructuring the government-sponsored enterprises.[8]
- **Mortgage and homeownership trends:** We provide vital, timely statistics on the health of the housing finance system at a glance through our monthly chartbook,[9] which also offers special features that drill down on developments of note. We also produce customized chartbooks for specific markets and topics.
- **Lending and servicing industry practices, policies, and regulations:** We examine the potential of various practices and innovations to improve access to and sustainability of homeownership while managing risks and costs, as well as ways to address market and regulatory challenges that limit access to credit. For example, our Mortgage Markets COVID-19 Collaborative brought together diverse stakeholders to develop collaborative solutions to ensure system and homeownership stability through the COVID-19 crisis.[10]

We track the state of emerging issues and their implications, including the following:

- **Technology:** Amid rapid developments in housing finance technologies, we research how new data can lead to more accurate and less biased ways to evaluate risk, such as through automated property valuation models, cash flow underwriting, or alternatives to traditional credit scoring.
- **Property insurance:** Amid an increasing number and severity of climate-related disasters and skyrocketing insurance premiums, we study how, where, and for whom property insurance markets are affecting mortgage sustainability.
- **Demographic change:** Amid generational shifts in the nation's demographic makeup, we track and forecast population and household formation trends and provide insights on how the housing system serves key segments, such as older Americans, young adults, and households of color.

We bring these insights into published research and into forums where decisionmakers can use them in real time through rapid-response channels, presentations, and testimony to officials and lawmakers on both sides of the aisle, as well as speaking engagements around the country. We regularly use our unbiased data and technical expertise to set the table for convenings and conversations that bring together diverse interests and perspectives.

We do not do this work alone. Our researchers' ability to produce timely, actionable, and relevant research relies on the financial and intellectual capital of our supporters, thought partners, and collaborators.

HFPC remains poised to provide data and analysis to help stakeholders work together to make homeownership attainable and sustainable for future generations. The following sections lay out priority opportunities toward achieving that vision and identify knowledge, evidence, and analysis that HFPC can provide to inform practical strategies for all participants in the system.

A Vision for the Future of Homeownership and Housing Finance

In a bright future of homeownership with a well-functioning housing finance system, families consistently have the opportunity to access an abundant supply of high-quality and affordable homes, pursue homeownership when financially ready, and sustain that homeownership—even through hardships—to reap its wealth-building benefits with the potential to pass it on to future generations. Though distinct, these goals, and the solutions to achieve them, are interconnected. This vision can be a North Star for all participants in the housing finance system, guided by HFPC's evidence-based research to design, implement, and evaluate solutions that address barriers to increasing the housing supply and ensuring homeownership access and sustainability.

An Abundant Supply of High-Quality and Affordable Homes

A future is possible in which households who wish to pursue homeownership can access high-quality housing that is widely available where families want to live. The nation must make up for the housing supply deficit that has accumulated over the past two decades. Addressing the supply gap is possible, as the nation has tackled housing shortages of even greater magnitude in the past.[11] Doing so will require spurring both affordable production to open up supply immediately for low-income renters and first-time homebuyers, and market-rate production to allow for filtering and opening up affordable supply over time. Growing the housing stock also requires decreasing the loss of current stock.

Finding successful solutions begins with assessing the gaps. HFPC research can illuminate the following:

1. **What are the best approaches to track and tackle housing shortages?** What is an actionable approach to estimate and track progress in the housing supply shortage on national, state, and local levels? What strategies are most effective at closing identified gaps, and where?
2. **What role can financing innovations play?** What new innovations can spur new affordable development? How do regulations constrain development financing, and how can these be safely eased? How can entities such as Fannie Mae and Freddie Mac, the Federal Housing Administration, and the Federal Home Loan Banks support the construction and rehabilitation of market-rate and affordable housing and underused housing types in alignment with their missions?
3. **What policies can effectively unlock new supply and improve affordability?** What zoning, land-use, and regulatory approaches, and by which jurisdictions, effectively increase supply and affordability? How can we encourage the construction of underused housing types, such as condominiums, accessory dwelling units, manufactured and modular housing, and two-to-four-unit buildings? How can interventions increase lending, lower housing costs, and protect borrowers efficiently and effectively?
4. **What more can be done to preserve the existing housing stock?** How quickly are we losing housing units to disrepair as our housing stock ages? How can financing tools be designed to help homeowners and developers reduce housing obsolescence?

The Opportunity to Access Homeownership for Those Who Are Ready

A world in which homeownership is available to those who have the credit, capacity, and collateral to sustain it can be the future. Advances in information technologies and foreclosure prevention tools increase the system's capacity to broaden access to safe and sustainable mortgages.

Building on HFPC's established contributions to ensuring that homeownership can continue to be a viable means of wealth building for all families, further data-driven research is needed to design and implement solutions:

1. **What does the future homebuying market look like?** How is the demographic and economic profile of the future homebuying population changing? How can the housing finance system retool to create homeownership opportunities for a changing population?
2. **What tools can help make first-time homeownership possible?** What are the most effective ways to prepare households to become first-time and even first-generation homeowners? How effectively can traditional tools expand homeownership access, such as down payment assistance and housing counseling, and how can they be expanded to improve take-up and impact?
3. **What are the opportunities and barriers to expand new innovations in on-ramps to homeownership?** What innovative ownership models developed by for-profit or mission-oriented entities can be stepping stones to long-term homeownership, and how can they be expanded while maintaining consumer protections? How could unique financing options such as zero–down payment mortgages or interest-rate buydowns be designed, particularly as a cost-effective option to complement down payment assistance? What are effective paths to bring financially constrained renters into sustainable homeownership, and how should this inform how tools are designed and targeted?
4. **How can the credit box be expanded effectively and safely?** How can the federal mortgage entities safely expand the credit box for mortgage borrowers on the margins, including those with high debt-to-income ratios, high loan-to-value ratios, or low credit scores, who still demonstrate an ability to repay? How can continued innovation in data and analytics change how we look at the three C's to accessing mortgage credit: credit, capacity, and collateral? How can emerging solutions, such as alternative credit data and automated underwriting and valuation, be designed to better predict risk to safely expand access?
5. **What can be done to lower the "cash to close" barrier?** Which tools can safely and prudently lower the up-front costs of homebuying and expand homeownership access for millions of households ready for homeownership?

Sustainable Homeownership That Ensures Its Wealth-Building Benefits

A future of increased homeownership rates is worthwhile only if owning a home continues to offer stable housing payments, long-term equity building through amortization and home value appreciation, and transferable wealth. Ensuring the opportunity for more families to sustain homeownership requires a multifaceted approach.

As the housing stock ages, more homeowners need financing options to help them maintain and renovate their homes (Neal, Zinn, and Zhu 2024). Helping homeowners, including those in rural communities and older homeowners of color, pass along their assets can help sustain wealth across generations (Walsh, Neal, and Zinn 2024). Debiasing valuations that undervalue homes of households of color allows more equal accumulation of wealth through homeownership.[12] Adequate insurance coverage is critical to protecting homeowners from climate-related risks.

There are solutions to ensure a household's ability to pay their mortgage, maintain and invest in their home and neighborhood, and pass the benefits on to future generations. Further data-driven research can explore how to strengthen and expand existing programs and to evaluate new solutions in a dynamic market:

1. **How can servicing, loss mitigation, and foreclosure prevention lower the risks of homeownership?** How can the federal mortgage-backing entities continue to strengthen tools to keep borrowers paying their mortgages, preventing losses to these entities, borrowers, and their communities and reducing risk to the housing finance system? What are the most effective and least effective tools? As new approaches reshape foreclosure risk, what are the implications for expanding homeownership?

2. **How can homeownership continue to ensure economic stability and long-term, intergenerational wealth building?** How do deferred home repairs contribute to long-term wealth erosion for homeowners? How can the system better facilitate refinances in the borrower's best interest and funding for home repairs to sustain and increase home value? How can older homeowners access their equity safely? How can the system ensure valuation fairness and accuracy? How do appraisal gaps affect Black homeowners' ability to access their home equity? How do underappraisals affect homeowners' decisions about keeping, selling, or renting out inherited homes? What steps can help older homeowners with estate planning and can help heirs in clearing their titles?
3. **How can homeownership remain financially stable as insurance costs and other costs become less predictable and as climate-related risks increase?** How can risk holders and governments find solutions that are affordable for homeowners and sustainable for insurers? Can new construction reflect the costs of risk to deter overbuilding in areas with high hazard risk? How do variable costs (e.g., insurance, taxes, utilities, and homeowner's association fees) affect the housing supply and homeownership affordability and sustainability? How much do tax liens contribute to foreclosures, and what state and local tax policies can help prevent these? How could changes in federal tax policy affect homeownership costs?

Shaping the Future of Homeownership and Housing Finance—Together

Creating this future will require coordination across the system's participants. As the public-sector balance shifts, it is essential to evaluate how all actors in the housing ecosystem can address the system's challenges. The federal government has played an outsize role in advancing affordable and sustainable homeownership since the New Deal, but its role has always been in partnership with the private sector. Ultimately, all participants in the system—public, private, philanthropic, and nonprofit—have vested interests in creating a viable and stable housing market for their constituents, customer bases, employees, and communities. In partnership with one another, the system's participants can embrace shared goals (i.e., increasing the housing supply and ensuring homeownership access and sustainability) and advance their interconnected solutions.

Ensuring that public, private, and philanthropic actors make effective decisions to tackle these challenges depends on the availability of high-quality research, data, and evidence to inform them. As it has done since 2013, the Housing Finance Policy Center is poised to create new knowledge to help these stakeholders respond and adapt to changes affecting the system. More than ever, this research is critical to align actors on shared goals to achieve this vision for the future of homeownership and housing finance.

Learn more about the Future of Homeownership and Housing Finance at https://www.urban.org/projects/future-homeownership-and-housing-finance. Learn more about HFPC and its staff and how to participate in shaping the future of homeownership and finance together at https://www.urban.org/expertise/housing-finance.

Notes

1 "The Future of Homeownership and Housing Finance: Timely, Data-Driven Insights," Urban Institute, accessed June 20, 2025, https://www.urban.org/projects/future-homeownership-and-housing-finance/timely-data-driven-insights.

2 Vincent J. Cannato, "A Home of One's Own," National Affairs, Spring 2010, https://www.nationalaffairs.com/publications/detail/a-home-of-ones-own.

3 Bridewell (1938) finds that half of urban houses with an outstanding mortgage were in default in 1934 (Wheelock 2008).

4 For a discussion of potential broader impacts of dislocations in the credit market, see Bernanke, Gertler and Gilchrist (1998).

5 Jung Hyun Choi and Amalie Zinn, "Why Are Fewer Young People Buying Homes When They Leave Their Parents' Place?" *Urban Wire* (blog), Urban Institute, April 17, 2024, https://www.urban.org/urban-wire/why-are-fewer-young-people-buying-homes-when-they-leave-their-parents-place.

6 Linna Zhu and Amalie Zinn, "America's Housing Market Is Failing Older Adults," *Urban Wire* (blog), Urban Institute, March 12, 2025, https://www.urban.org/urban-wire/americas-housing-market-failing-older-adults.

7 "Meet Our Members," Housing Finance Innovation Forum, accessed June 23, 2025, https://www.urban.org/hfif-members.

8 "Recapitalizing the GSEs through Administrative Action: Former CEOs Explore Conservatorship Release," Urban Institute, March 18, 2025, https://www.urban.org/events/recapitalizing-gses-through-administrative-action-former-ceos-explore-conservatorship.

9 "Housing Finance at a Glance: A Monthly Chartbook," Urban Institute, accessed June 18, 2025, https://www.urban.org/tags/housing-finance-glance-monthly-chartbook

10 "Mortgage Markets COVID-19 Collaborative," Urban Institute, accessed June 20, 2025, https://www.urban.org/policy-centers/housing-finance-policy-center/projects/mortgage-markets-covid-19-collaborative.

11 Faced with an influx of returning veterans after World War II, the US under President Truman launched a coordinated, national housing strategy through emergency executive orders, accelerating production to an annual high of 1.69 million new homes in 1950. In 1968, faced with a need to build or rehabilitate 26 million housing units in 10 years, including 6 million units affordable to low- and middle-income families, the US built and rehabbed 470,000 subsidized units, a third of all units.

12 Michael Neal and Peter J. Mattingly, "Increasing Diversity in the Appraisal Profession Combined with Short-Term Solutions Can Help Address Valuation Bias for Homeowners of Color," *Urban Wire* (blog), Urban Institute, July 1, 2021, https://www.urban.org/urban-wire/increasing-diversity-appraisal-profession-combined-short-term-solutions-can-help-address-valuation-bias-homeowners-color.

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